

KIDS KICKING CANCER, INC.
(a Michigan not-for-profit corporation)

FINANCIAL STATEMENTS
December 31, 2020 and 2019

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BERGER, GHERSI & LADUKE PLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Kids Kicking Cancer, Inc.
Southfield, Michigan

We have audited the accompanying financial statements of

Kids Kicking Cancer, Inc.
(a Michigan not-for-profit corporation)

which comprise the Statements of Financial Position as of December 31, 2020 and 2019, and the related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Kids Kicking Cancer, Inc.** as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.


BERGER GHERSI & LADUKE PLC
Certified Public Accountants

August 31, 2021

KIDS KICKING CANCER, INC.
(a Michigan not-for-profit corporation)

STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

ASSETS		
	2020	2019
Current assets:		
Cash	\$ 977,251	\$ 1,678,481
Short-term investments	902,137	250,000
Prepaid expenses	13,769	21,664
Total current assets	1,893,157	1,950,145
Net property and equipment	61,945	90,335
Total assets	\$ 1,955,102	\$ 2,040,480
LIABILITY AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 7,224	\$ 4,000
PPP loan payable	184,886	-
Total current liabilities:	192,110	4,000
Net assets:		
Without donor restrictions		
Undesignated	1,063,976	1,662,780
Designation by the Board	42,968	45,045
	1,106,944	1,707,825
With donor restrictions		
Designated by donor	656,048	328,655
	656,048	328,655
Total net assets	1,762,992	2,036,480
Total liability and net assets	\$ 1,955,102	\$ 2,040,480

See accompanying notes to the financial statements.

KIDS KICKING CANCER, INC.
(a Michigan not-for-profit corporation)

STATEMENTS OF ACTIVITIES
For the years ended December 31, 2020 and 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Contribution income	\$ 1,289,194	\$ 1,007,700	\$ 2,296,894
Investment income	13,203		13,203
Donated materials and services	90,984		90,984
Net assets released from restrictions	680,307	(680,307)	-
Total revenue	2,073,688	327,393	2,401,081
Expenses:			
Program expenses	1,928,978		1,928,978
Management and general	372,972		372,972
Fundraising	372,619		372,619
Total expenses	2,674,569	-	2,674,569
Change in net assets	(600,881)	327,393	(273,488)
Net assets, beginning of year	1,707,825	328,655	2,036,480
Net assets, end of year	\$ 1,106,944	\$ 656,048	\$ 1,762,992
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Contribution income	\$ 1,320,308	\$ 365,800	\$ 1,686,108
State grants	186,950		186,950
Investment income	37,344		37,344
Donated materials and services	278,175		278,175
Net assets released from restrictions	295,357	(295,357)	-
Total revenue	2,118,134	70,443	2,188,577
Expenses:			
Program expenses	1,869,261		1,869,261
Management and general	331,051		331,051
Fundraising	230,284		230,284
Total expenses	2,430,596	-	2,430,596
Change in net assets	(312,462)	70,443	(242,019)
Net assets, beginning of year	2,020,287	258,212	2,278,499
Net assets, end of year	\$ 1,707,825	\$ 328,655	\$ 2,036,480

See accompanying notes to the financial statements.

KIDS KICKING CANCER, INC.
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STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (273,488)	\$ (242,019)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	28,390	28,784
Changes in assets and liabilities:		
Prepaid expenses	7,895	(8,789)
Accounts payable	<u>3,224</u>	<u>(13,132)</u>
Cash flows from operating activities	(233,979)	(235,156)
Cash flows from investing activities:		
Purchase/redemption of investments	<u>(652,137)</u>	<u>750,000</u>
Cash flows from investing activities	(652,137)	750,000
Cash flows from financing activities:		
PPP loan proceeds	<u>184,886</u>	<u>-</u>
Cash flows from financing activities:	<u>184,886</u>	<u>-</u>
Net change in cash and cash equivalents	(701,230)	514,844
Cash, beginning of year	<u>1,678,481</u>	<u>1,163,637</u>
Cash, end of year	<u><u>\$ 977,251</u></u>	<u><u>\$ 1,678,481</u></u>
Supplemental disclosures:		
Interest paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to the financial statements.

KIDS KICKING CANCER, INC.
(a Michigan not-for-profit corporation)

STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended December 31, 2020 and 2019

	2020			
	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 723,737	\$ 200,785	\$ 118,925	\$ 1,043,447
Payroll tax expense	63,408	16,332	9,573	89,313
Health insurance	34,680	6,669	3,112	44,461
Employer 401(k) match	920	17,780	6,790	25,490
Payroll and benefit services	-	5,303	-	5,303
Workers' compensation insurance	1,359	6,343	1,359	9,061
Total payroll expenses	824,104	253,212	139,759	1,217,075
Advertising	23,627	4,725	3,150	31,502
Automobile expenses	3,049	191	571	3,811
Business expenses	2,397	2,398	2,397	7,192
Credit card processing fees	-	9,534	-	9,534
Depreciation	24,516	1,937	1,937	28,390
Technical & Creative Services	47,986	-	5,332	53,318
Donated services	85,984	-	-	85,984
Family support	32,171	-	-	32,171
Fundraising	40	-	160	200
Insurance	14,421	8,621	-	23,042
Occupancy costs and maintenance	71,003	21,848	16,385	109,236
Office and business expenses	15,002	7,501	7,501	30,004
Outside contract services	127,143	17,338	144,480	288,961
Patient transportation	2,162	-	-	2,162
Postage and delivery	6,728	1,441	1,441	9,610
Printing	21,728	2,897	4,346	28,971
Professional fees	-	10,110	-	10,110
Program expenses	317,483	-	-	317,483
Supplies	64,309	-	-	64,309
Technology	206,273	27,503	41,255	275,031
Travel - local	5,229	-	-	5,229
Travel expenses	5,073	-	895	5,968
Uniforms and equipment	12,854	-	-	12,854
Utilities	15,696	3,363	3,363	22,422
Total expenses	<u>\$ 1,928,978</u>	<u>\$ 372,619</u>	<u>\$ 372,972</u>	<u>\$ 2,674,569</u>

See accompanying notes to the financial statements.

KIDS KICKING CANCER, INC.
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STATEMENTS OF FUNCTIONAL EXPENSES
(continued)
For the years ended December 31, 2020 and 2019

	2019			
	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 533,067	\$ 178,183	\$ 102,593	\$ 813,843
Payroll tax expense	39,053	12,797	7,461	59,311
Health insurance	23,541	14,999	3,343	41,883
Employer 401(k) match	7,543	1,424	1,461	10,428
Payroll and benefit services	-	16,288	-	16,288
Workers' compensation insurance	4,395	942	942	6,279
Total payroll expenses	607,599	224,633	115,800	948,032
Advertising	2,905	2,993	2,905	8,803
Automobile expenses	3,566	223	669	4,458
Business expenses	4,149	4,149	4,148	12,446
Credit card processing fees	-	7,554	-	7,554
Depreciation	28,587	99	98	28,784
Design services	12,568	-	6,190	18,758
Donated services	273,175	-	-	273,175
Family support	3,221	-	-	3,221
Fundraising	10,121	-	40,485	50,606
Insurance	14,544	6,658	-	21,202
Occupancy costs	33,768	7,236	7,236	48,240
Office and business expenses	19,509	9,755	9,754	39,018
Outside contract services	300,951	43,511	18,129	362,591
Patient transportation	5,421	-	-	5,421
Postage and delivery	2,023	2,084	2,023	6,130
Printing	18,118	2,788	6,968	27,874
Professional fees	-	7,610	-	7,610
Program expenses	370,638	-	-	370,638
Supplies	34,049	-	-	34,049
Travel - local	28,328	-	-	28,328
Travel expenses	61,424	-	10,840	72,264
Uniforms and equipment	17,799	-	-	17,799
Utilities	16,798	11,758	5,039	33,595
Total expenses	\$ 1,869,261	\$ 331,051	\$ 230,284	\$ 2,430,596

See accompanying notes to the financial statements.

KIDS KICKING CANCER, INC.
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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE A - Summary of Significant Accounting Policies

Nature of activities - Kids Kicking Cancer, Inc. (KKC) is a domestic, not-for-profit corporation whose purpose is to develop programs to ease the pain of very sick children while empowering them to heal physically, spiritually and emotionally.

Method of accounting - The financial statements are prepared on the accrual basis of accounting. Consequently, revenue is recognized when earned and expense is recognized when the obligation is incurred.

Cash and cash equivalents - KKC defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

Promises to give - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified to net assets without donor restrictions. There were no unconditional promises to give made in 2020 or 2019 that were not received by year end.

Accounts receivable - The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. As there were no unconditional promises to give not collected by December 31, 2020 and 2019, there are no accounts receivable recorded in these financial statements. Accordingly, no allowance for doubtful accounts is necessary at December 31, 2020 or 2019.

Property and equipment - Capital additions to property and equipment exceeding \$5,000 are recorded at cost if purchased or, if donated, at fair market value at the date of the gift. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, generally three to ten years. Total depreciation expense for the years ended December 31, 2020 or 2019 was \$28,390 and \$28,784, respectively.

Income taxes - KKC is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

KKC's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally for three years after they were filed.

Functional allocation of expenses - The costs of program and supporting services activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

KIDS KICKING CANCER, INC.
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NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2020 and 2019

NOTE A - Summary of Significant Accounting Policies (continued)

Net assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets of KKC are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue recognition - KKC receives substantially all of its revenue from individual and corporate donors in the form of contributions.

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend, are substantially met.

KKC reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets.

Grants and contributions - Unconditional grants and contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Revenue is recognized on the date the condition is met.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

NOTE B - Concentration of Credit Risk

KKC has concentrated its credit risk for cash by maintaining deposits in financial institutions which may, at times, exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation. KKC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

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NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2020 and 2019

NOTE C - Date of Management's Review

Management has evaluated subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued.

The impact on KKC's 2021 financial activities cannot be assessed as of the date of our audit report as there exists a significant uncertainty about the future impact of COVID-19 on the global economy during this ongoing pandemic situation.

On April 24, 2020, KKC received loan proceeds in the amount of \$184,866 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1.0%, with a deferral of payments for the first six months. KKC has used the proceeds for purposes consistent with the PPP and believes its use of the loan proceeds will meet the conditions for forgiveness of the loan.

On April 12, 2021, KKC received a second PPP loan in the amount of \$222,695 subject to the same terms.

NOTE D - Property and Equipment

The major categories of property and equipment at December 31 are summarized as follows:

	Depreciable Lives	2020	2019
Computers and equipment	5 to 10 years	\$ 3,950	\$ 3,950
Program/Medical equipment	5 years	38,747	38,747
Vehicles	5 years	<u>143,770</u>	<u>143,770</u>
Total property and equipment		186,467	186,467
Less: Accumulated depreciation		<u>124,522</u>	<u>96,132</u>
Net property and equipment		<u>\$ 61,945</u>	<u>\$ 90,335</u>

NOTE E - Donated Materials and Services

The value of donated materials, included as contributions on the Statement of Activities, was \$59,149 and \$234,780 for the years ended December 31, 2020 and 2019, respectively. These materials were used for and are included in program expenses on the Statements of Functional Expenses, with \$5,000 of donated materials per year categorized in uniforms.

The value of donated services, included as contributions on the Statements of Activities, was \$26,835 and \$38,395 for the years ended December 31, 2020 and 2019, respectively. These services were used for and are included in program expenses on the Statements of Functional Expenses.

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NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2020 and 2019

NOTE F - Advertising Costs

Advertising costs were expensed as incurred. Total advertising expense for the years ended December 31, 2020 and 2019 was \$31,502 and \$8,803, respectively.

NOTE G - Concentration of Donors

In 2020 and 2019, approximately 17% and 14%, respectively, of total revenue was received from one donor.

NOTE H - Leases

KKC has a 3 year lease agreement which began in June 2013 for its administrative office. The lease was first amended on April 12, 2016 for an additional 3 years. On December 17, 2019, the lease was amended a second time for an additional 3 years. The lease calls for base rental payments of \$6,652 per month through December 31, 2021, and base rental payments of \$7,136 per month through December 31, 2022.

Minimum payments under the administrative lease are as follows for the years ending December 31:

2021	\$	79,826
2022		85,631

Total rental expense for the administrative offices for the years ended December 31, 2020 and 2019 totaled \$79,826 and \$48,000, respectively, and are included in occupancy costs on the Statements of Functional Expenses.

KKC has an automobile lease with an original lease date of August 20, 2018. Monthly payments of \$318 commenced on August 20, 2018. These amounts are included in automobile expenses on the Statements of Functional Expenses. The term of the lease is 36 months.

Minimum payments under this lease are as follows for the years ending December 31:

2021	\$	2,326
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NOTE I - Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

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NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2020 and 2019

NOTE J - Retirement Plan

KKC has a 401(k) retirement savings plan which covers all eligible employees. KKC matches employee contributions up to a maximum of 4% of their salary. The matching contribution was \$25,490 and \$10,348 for the years ended December 31, 2020 and 2019, respectively.

NOTE K - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Impact 100 Grant	\$ 77,579	\$ 26,300
Martial Arts Art Therapy Program	171,954	120,500
Heroes Circle; Children Healing Children	9,810	-
Heroes Circle Danto Incubator	46,705	-
The Healing Hero	350,000	-
KKC - Oak Park Schools Program	<u>-</u>	<u>181,855</u>
Total	<u>\$ 656,048</u>	<u>\$ 328,655</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Impact 100 Grant	\$ 24,421	\$ -
Martial Arts Art Therapy Program	115,546	91,701
Heroes Circle; Children Healing Children	5,190	-
Heroes Circle Danto Incubator	303,295	-
KKC - Oak Park Schools Program	<u>181,855</u>	<u>203,656</u>
Total	<u>\$ 630,307</u>	<u>\$ 295,357</u>

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NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2020 and 2019

NOTE L - Board Designations Net Assets Without Restrictions

KKC's governing board through specific action or through management policy has created self-imposed limits on net assets without donor restrictions. The board has earmarked \$42,969 and \$45,045 for the following purposes as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
For funding KKC's virtual reality program	\$ 42,969	\$ 45,045

NOTE M - Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 977,251	\$ 1,678,481
Mutual funds	902,137	-
Short-term investments	<u>-</u>	<u>250,000</u>
Total	<u>\$ 1,879,388</u>	<u>\$ 1,928,481</u>

All board and donor amounts with restrictions limiting use at year end were designated to be used within a year.

As part of KKC's liquidity management plan, KKC invests cash in excess of daily requirements in short-term investments, CDs, and money market funds. In 2020, KKC opened an investment account to invest excess cash in mutual funds.

NOTE N - Fair Value Measurements

KKC reports required types of financial instruments in accordance with fair value accounting standards. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, KKC attempts to utilize valuation methods that maximize the use of observable inputs. Based on the observability of the inputs used in the valuation methods, the information is provided according to the fair value hierarchy, classified in one of the following three categories:

Level 1 Quoted market prices in active markets for identical assets or liabilities.

Level 2 Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 Unobservable inputs that are not corroborated by market data.

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NOTES TO THE FINANCIAL STATEMENTS
(b continued)

December 31, 2020 and 2019

NOTE N - Fair Value Measurements (continued)

KKC holds short-term investments that are excess operating cash. These investments are meant to be short-term and able to convert to cash if needed to cover operating expenses. Short-term investments consist of commercial paper with original maturities of greater than three months but less than one year. These investments are considered available-for-sale and are recorded at fair value. As of December 31, 2020 and 2019, the difference between the fair value of the short-term investments and the original cost was not material.

The following is a description of the valuation methodologies used for assets:

Certificates of deposit (traditional): Valued at cost, which approximates fair value. As of December 31, 2020 and 2019, short term investments consisted of certificate of deposit at financial institutions, with interest rates ranging from .01% to 1.41% and with various maturity dates.

Mutual funds. The fair value of mutual funds is based on quoted net asset values of the shares as reported by the fund. The mutual funds held by the Plan are open-end mutual funds registered with the U.S. Securities and Exchange Commission. The funds must publish their daily net asset value and transact at that price. The mutual funds held by the Plan are considered to be actively traded.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2020 and 2019:

	Assets at Fair Value as of:			
	Fair Value	(Level 1)	(Level 2)	(Level 3)
December 31, 2020:				
Mutual funds	\$ 902,137	\$	\$ 902,137	\$
Total investments at fair value	<u>\$ 902,137</u>	<u>\$</u>	<u>\$ 902,137</u>	<u>\$</u>

	Assets at Fair Value as of:			
	Fair Value	(Level 1)	(Level 2)	(Level 3)
December 31, 2019:				
Certificates of deposit	\$ 250,000	\$	\$ 250,000	\$
Total investments at fair value	<u>\$ 250,000</u>	<u>\$</u>	<u>\$ 250,000</u>	<u>\$</u>

NOTE O - New accounting pronouncements

During 2019, KKC adopted Accounting Standards Codification (ASU 2014-09), *Revenue from Contracts with Customers* (Topic 606), as amended. This includes criteria on how entities recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Management has determined that this ASU did not significantly impact KKC's financial statements. Analysis of the various provisions of this standard resulted in no significant changes in the way KKC recognizes revenue; however, the presentation and disclosure of revenue has been enhanced.

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NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2020 and 2019

NOTE N - New accounting pronouncements

During the year ended December 31, 2020, KKC adopted the Financial Accounting Standards Board's (FASB) Accounting Standard Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides additional guidance in (1) evaluating whether transactions should be accounted for as contributions (within the scope of ASU 958) or as exchange (reciprocal) transactions (subject to ASC 606); and (2) distinguishing between conditional and unconditional contributions. Management believes that the adoption of this ASU enhanced the comparability of financial information among not-for-profit entities. This change in accounting principle was adopted on a modified prospective basis in 2020. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of January 1, 2020. The impact of adoption was not material to the financial statements.

FASB issued ASU 2019-01, *Leases (Topic 842)*. The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangement. The ASU is effective for non public entities beginning after December 15, 2020. Early adoption is permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

KKC plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.